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2000HOCHI01176 - UNCLASSIFIED

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ACTION DRL-02

INFO	LOG-00	COR-01	NP-00	AID-00	AMAD-00	AEX-01	ACQ-00
	CA-02	CEA-01	CIAE-00	SMEC-00	CTME-00	INL-00	DINT-00
	DOEE-00	ITCE-00	WHA-00	SRPP-00	DS-00	EAP-00	EB-00
	EXME-00	OIGO-02	E-00	UTED-00	FOE-01	VC-00	FRB-00
	H-01	TEDE-00	INR-00	IO-00	ITC-01	LAB-01	L-00
	VCE-00	AC-01	NSAE-00	OCS-03	OES-01	OIC-02	OMB-01
	OPIC-01	PA-00	PM-00	PRS-00	ACE-00	P-00	SP-00
	STR-00	USIE-00	FMP-00	R-00	PMB-00	DSCC-00	G-00
	NFAT-00	SAS-00	/022W				

-----712FC2 212139Z /69  
FM AMCONSUL HO CHI MINH CITY

TO SECSTATE WASHDC 3443  
INFO AMEMBASSY HANOI  
ASEAN COLLECTIVE  
AMCONSUL HONG KONG  
AMEMBASSY BEIJING  
AMEMBASSY SEOUL  
USCINCPAC HONOLULU HI//FPA//  
JICPAC HONOLULU HI  
SECDEF WASHDC  
USDOC WASHDC  
NSC WASHDC

UNCLAS SECTION 01 OF 02 HO CHI MINH CITY 001176

SIPDIS

STATE ALSO FOR EAP/BCLTV  
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SECDEF FOR OSD/ISA/EA/LSTERN

E.O. 12958: N/A  
TAGS: [ECON](#) [PREL](#) [VM](#) [PGOV](#) [SOCI](#) [CIVS](#) [FINREF](#)  
SUBJECT: STOCK MARKET OPENS IN HO CHI MINH CITY

REF: HCMC 1135

SUMMARY

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11. VIETNAM'S FIRST OFFICIAL STOCK MARKET, THE HO CHI MINH CITY SECURITIES TRADING CENTER (STC), OPENED JULY 20 WITH GREAT FANFARE. ALTHOUGH THE OPENING OF A SECURITIES MARKET, ESPECIALLY SINCE IT CAME ON THE HEELS OF SIGNING THE BILATERAL TRADE AGREEMENT, IS SIGNIFICANT AS A SYMBOL OF CONTINUED ECONOMIC REFORM, ITS PRACTICAL IMPACT LIKELY WILL BE NEGLIGIBLE IN THE SHORT-TERM. ONLY FOUR COMPANIES WILL BE LISTED INITIALLY, FOREIGN PARTICIPATION IS LIMITED, FLUCTUATION MARGINS ARE TIGHTLY CONTROLLED, AND BALANCE SHEETS OF LISTED COMPANIES WILL REMAIN OPAQUE. END SUMMARY.

STOCK MARKET OPENS

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12. THE HO CHI MINH CITY SECURITIES TRADING CENTER (STC) OPENED JULY 20 IN AN AS-YET UNREFURBISHED 85-YEAR-OLD BUILDING LOCATED IN THE HEART OF THE CITY. ACTING CONSUL GENERAL JOHN ATTENDED THE OPENING, WHICH FEATURED A RIBBON-CUTTING LED BY FORMER PRIME MINISTER AND PARTY ADVISOR VO VAN KIET, AND AN OPENING SPEECH BY FIRST DEPUTY PRIME MINISTER NGUYEN TAN DUNG. THE EVENT, WHICH ATTRACTED A LARGE AUDIENCE OF LOCAL AND FOREIGN BUSINESSMEN, THE CONSULAR  
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CORPS, AND INTERNATIONAL PRESS, TOOK PLACE AMIDST UNUSUALLY TIGHT SECURITY, WITH SURROUNDING STREETS BLOCKED TO NORMAL TRAFFIC.

13. DPM DUNG TOLD THE AUDIENCE THAT THE OPENING OF THE STC DEMONSTRATED THE GVN'S "FIRM DETERMINATION TO BUILD EVER UNIFORM MARKET COMPONENTS OF THE ECONOMY." THIS SENTIMENT WAS ECHOED IN THE INTRODUCTORY COMMENTS BY NGUYEN DUC QUANG, CHAIRMAN OF THE STATE SECURITIES COMMISSION, WHO NOTED THAT THE CREATION OF THE STC WAS THE NATURAL NEXT STEP IN ECONOMIC DEVELOPMENT FOR VIETNAM. QUANG CAUTIONED, HOWEVER, THAT THE TWO YEARS PREPARATORY PERIOD FOR THE OPENING WAS INADEQUATE FOR SUCH A LARGE TASK, BUT THAT THE LIMITED OPENING WAS "AN IMPORTANT REHEARSAL FOR A MODERN AND DEVELOPED STOCK MARKET IN THE FUTURE."

NUMEROUS CONSTRAINTS

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14. AS REPORTED IN REFTEL, THE MARKET WILL OPERATE UNDER

NUMEROUS TRADING CONSTRAINTS, NOT THE LEAST OF WHICH IS THAT ONLY FOUR COMPANIES WILL BE LISTED INITIALLY. PRICES WILL NOT BE PERMITTED TO FLUCTUATE MORE THAN FIVE PERCENT DAILY, AND STRINGENT CAPS WILL BE SET ON FOREIGN OWNERSHIP. MOREOVER, THESE CAPS DICTATE THAT IT WILL BE VIRTUALLY IMPOSSIBLE TO MAINTAIN THE MANDATED SINGLE PRICE ON SHARES, SINCE THEY CREATE A VIRTUAL SECOND MARKET FOR FOREIGN INVESTORS.

OPINIONS OF FOREIGN BANKERS MIXED

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15. A SEASONED AMERICAN BANKER TOLD ACG ON THE EVE OF THE  
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OPENING THAT THE STOCK MARKET "WAS A JOKE." THIS OBSERVER FOCUSED NOT ONLY ON THE PROBLEMS CITED ABOVE, BUT ALSO ON THE OPAQUE NATURE OF VIETNAMESE BOOKKEEPING STANDARDS. UNTIL TRANSPARENCY IMPROVED SIGNIFICANTLY, FOREIGN INVESTORS WOULD LIKELY IGNORE THE STC. HOWEVER, ANOTHER AMERICAN MERCHANT BANKER (WHO WAS DISTRIBUTING FLYERS FOR HIS MERCHANT BANK AT THE OPENING CEREMONY) TOLD ACG THAT THE POTENTIAL FOR THE MARKET 24 MONTHS OUT WAS SIGNIFICANT. HE PREDICTED THAT THERE WOULD BE 150 TO 200 COMPANIES LISTED BY THAT TIME, AND THAT INDUSTRY AND SECTORAL FUNDS, SUCH AS HIS, WOULD BE REWARDING FOR FOREIGN INVESTORS.

COMMENT: A POSITIVE START; SUBSTANCE TO FOLLOW?

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16. COMING ON THE HEELS OF THE SIGNING OF THE BTA, THE OPENING OF THE STOCK MARKET ATTRACTED SIGNIFICANT INTERNATIONAL PRESS ATTENTION THAT CENTERED ON VIETNAM'S TRANSFORMING ECONOMY. ALTHOUGH THE OPENING OF THE MARKET IS SYMBOLICALLY SIGNIFICANT, REGULATORY RESTRICTIONS AND CORPORATE PRACTICES INDICATE THAT THE MARKET WILL HAVE MINIMAL IMPACT ON THE VIETNAMESE ECONOMY IN THE NEAR FUTURE. VIETNAM WILL HAVE TO WORK HARD ON SUPERVISING THE NEW MARKET. IF THE NEW MARKET CAN CAPTURE SOME OF THE INFORMAL TRADING ACTIVITY THAT HAS ALREADY BEEN TAKING PLACE, ALL THE BETTER. THAT HO CHI MINH CITY IS THE VENUE FOR VIETNAM'S FIRST STOCK MARKET IS ALSO GOOD. DESPITE THE PERSISTENT BACKWARDNESS OF ECONOMIC THEORY IN THE NORTH, HO CHI MINH CITY'S ECONOMY IS 'DE FACTO' TAKING ON MANY OF THE CHARACTERISTICS OF MARKET ORIENTATION.

JOHN

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